FUNDING

Revenues for the state highway system come from two sources, Federal-aid and State sources. Federal-aid funding for highways derives from the Highway Trust fund, which receives revenues from federal user taxes, such as the federal gasoline tax. The majority of these funds are apportioned to the states on the basis of various distribution formulas. The Highway Distribution Account consists of revenue from state user taxes such as the state fuel tax, vehicle registration fees, and the weight-distance tax imposed on commercial vehicles. Revenue that the state receives from both federal-aid funds and the Highway Distribution Account are shared with local jurisdictions.

FUNDING PROGRAMS

Federal-aid and state funds are divided into a variety of funding categories or programs. Construction projects are programmed in the Highway Development Program according to which funding category the project fits. Current federal-aid and state funding programs are summarized below.

Program	Description
State-funded (ST)	**This program is primarily used for maintenance, safety, emergency, and minor pavement rehabilitation projects.**
State-funded Restricted (STR)	**Funds from this program are to be used for highway construction work only. Types of projects funded under this program include minor pavement rehabilitation, safety, bridge, and capacity improvements such as turn lanes and passing lanes.**
Interstate Maintenance (IM)	**Projects in this category are restricted to the interstate system. This program is used for preventive maintenance work such as seal coats, minor pavement rehabilitation, pavement reconstruction that does not increase capacity, bridge replacement and rehabilitation with emphasis on eliminating route travel restrictions for commercial vehicles, pavement striping, and port of entry and rest area rehabilitation.**

Program	Description
National Highway System (NHS)	**A wide variety of roadway and bridge construction projects can be financed using NHS funds, if the work will be on a NHS route. The National Highway System (NHS) consists of Idaho's interstate and most principal arterial routes. Idaho's NHS routes are shown on page 13.**
Surface Transportation (STP) State Highway System	**A wide variety of roadway and bridge construction projects can be financed using STP-State Highway System funds, if the work is done on highways that are functionally classified as rural major collectors or above, or if the highway was on the Federal-aid Highway System on January 1, 1991. The functional classification of state highway system roads is shown on page 9.**
Surface Transportation (STP) – Safety	**Safety funds can be used to fund safety improvements on routes on or off of the state highway system. Safety projects include hazard elimination at high accident locations, guardrail upgrades, and railroad crossing improvements. High accident locations are shown on the map on page 39.**
Surface Transportation (STP) Enhancements	**Enhancement projects must be in close proximity and directly related to the transportation system. Enhancement projects can include such items as bike paths, interpretive centers, and landscaping.**
Congestion Mitigation/Air Quality (CMAQ)	**CMAQ funds are used for projects in areas that do not attain the standards for ozone or carbon monoxide established in the Federal Clean Air Amendments Act. Although Idaho has no non-attainment areas, portions of Idaho's CMAQ funds are spent on projects that enhance air quality. The remainder of the funds goes into the STP program.**

Program	Description
Bridge	**Bridge funds are used for bridge replacement and rehabilitation projects. Bridge replacement projects are selected from bridges with sufficiency ratings less than 50. Bridge rehabilitation projects are selected from bridges with sufficiency ratings between 50 and 80. Idaho's critical bridges are shown on the map on page 38.**
Demonstration	**Demonstration funds are made available by the U.S. Congress. Funding made available for these projects can only be spent on the project specifically designated by congress, and is available until spent.**
Emergency Relief	**This program was established after the North Idaho floods in 1995 and 1996 and eastern Idaho floods in 1997. Funds in this program can be used to repair roadways damaged in those floods.**

In order to develop an understanding of the various program sizes and the amount of funds available, a table listing funding categories is provided below. The following table lists state funds for the state highway system, and Federal Highway funds for all Idaho roadways (state and local) for fiscal years 1997 and 1998. The dollar amounts listed in the columns labeled Available, are the funds that can be used for projects in each category listed. The funds in the columns labeled Program, are the funds that are committed to projects in the Highway Development Program.

(000's)

Funding Category	FY 1997		FY 1998	
	Available	Program	Available	Program
Highway Development Program				
Interstate Maintenance	**27,135**	28,550	**24,798**	23,080
National Highway System	**27,569**	37,290	**25,661**	50,030
STP - State Highway	**17,238**	5,840	**27,185**	12,720
STP - Local Rural	**2,620**	2,630	**390**	390
STP - Local Urban	**11,839**	11,840	**4,460**	4,460
STP - Safety	**3,789**	3,790	**3,126**	3,490
STP - Enhancement	**9,970**	9,970	**3,449**	3,530
Congestion Mitigation/Air Quality	**2,775**	2,770	**2,950**	2,370
Bridge	**8,541**	8,550	**7,596**	7,630
Metro Planning	**848**	848	**738**	740
State Planning & Research	**2,611**	2,615	**2,600**	2,600
Subtotal	**114,935**	**114,693**	**102,953**	**111,040**
Demonstration	**40,760**	14,500	**0**	21,570
Discretionary Funding*	**0**	0	**19,840**	

Funding Category	FY 1997		FY 1998	
	Available	Program	Available	Program
Emergency Relief 96-1	**1,403**	1,447	**0**	0
Emergency Relief 96-2	**10,943**	11,322	**0**	0
Emergency Relief 97-1	**10,000**	7,720	**0**	0
Scenic Byways*	**160**	160	**0**	0
Technology & Research*	**0**	0	**0**	0
Forest Highway	**9,845**	9,845	**10,026**	10,500
State Funded	**16,000**	18,730	**16,000**	18,090
FY 97/98 Budget Changes	**2,853**	0	**7,550**	0
Restricted Fund Projects	**15,161**	13,970	**19,184**	19,920
Subtotal	**107,124**	**77,694**	**72,599**	**89,920**
Public Lands Highways*	**0**	0	**0**	0
Indian Reservation Roads	**1,540**	1,540	**1,480**	1,480
Parkways & Park Highways	**50**	50	**0**	0
Subtotal	**1,590**	1,590	**1,480**	**1,480**
****Total Appropriated Funds**	**223,489**	**193,817**	**157,193**	**182,600**
Total Discretionary Funds*	**160**	**160**	**19,840**	**19,840**

* contingent upon successful application for funds

** The dollar figures shown include funds for local roads and National Park, Forest Service and Indian Community routes. Therefore, the dollar figures are higher than what is available for expenditure on state highways.

REVENUE

It is anticipated that revenue for construction and maintenance on the state highway system through the year 2002 will be approximately $ 1.03 billion dollars. This estimated revenue figure was developed with the following conditions:

1. The revenue figure does not include personnel costs.
2. The revenue figure was developed from state fiscal year 1998 estimates.
3. Dollar figures were not adjusted for inflation.
4. Funds included were only those funds expected to be used exclusively on the state system.
5. Operations and personnel funds were excluded from the estimated revenue for maintenance.
6. Revenue projections do not include federal funds that are used for non-roadway construction items such as metropolitan planning, and state planning and research.

ALTERNATIVE ANALYSIS

Three funding alternatives for Idaho's needs on the state highway system are presented. The alternatives studied are:

- **Alternative 1 - System Preservation**
- **Alternative 2 - System Preservation Plus Partial Funding of Other Needs**
- **Alternative 3 - Full Funding of All Needs**

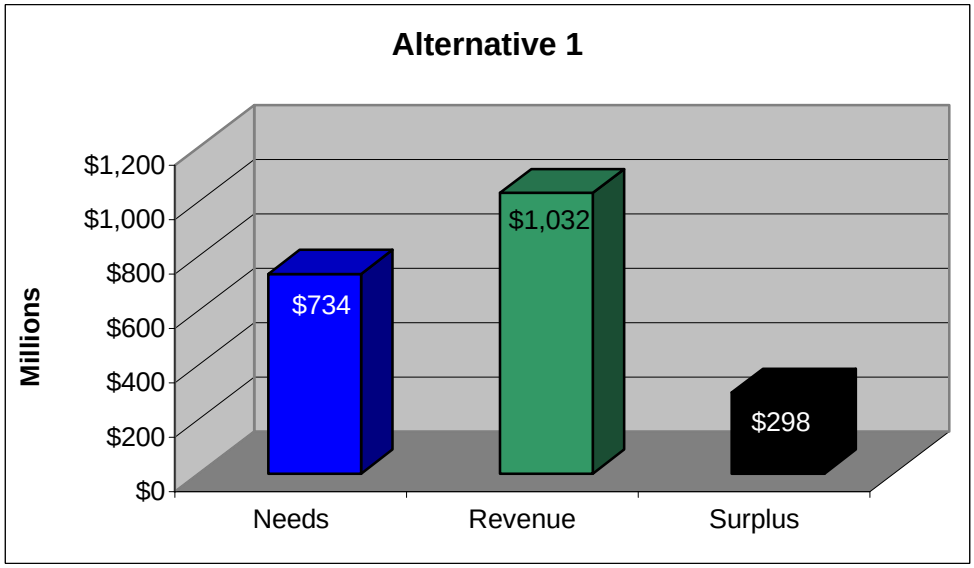
These alternatives are discussed in detail below. Each alternative compares projected revenue through the year 2002, with the types of short-term needs that the alternative would address. Short-term needs are defined as highway needs through the year 2002.

Alternative 1 – System Preservation

Alternative 1 focuses on the preservation of the Idaho state highway system infrastructure. Preserving our infrastructure protects the investment we made in its initial construction. This alternative would fully fund the Idaho Transportation Department's top three construction improvement priorities. No funding would be provided for other priorities such as safety, improving traffic operations, and adding capacity. See the Priorities for Construction Improvement section that begins on page 5 for more information on the specific types of improvements that would be funded.

PRIORITY	TYPE OF WORK	PERCENT FUNDED	DOLLARS
Priority 1	Routine Maintenance	100 %	108,415,000
Priority 2	Pavement Preservation	100 %	454,842,000
Priority 3	Bridge Preservation	100 %	171,035,000
	Total		734,292,000

As shown in the graph below, funding the needs identified in Alternative 1 would leave a surplus of $298 million. This surplus, although not large, could be applied to other high priority projects.

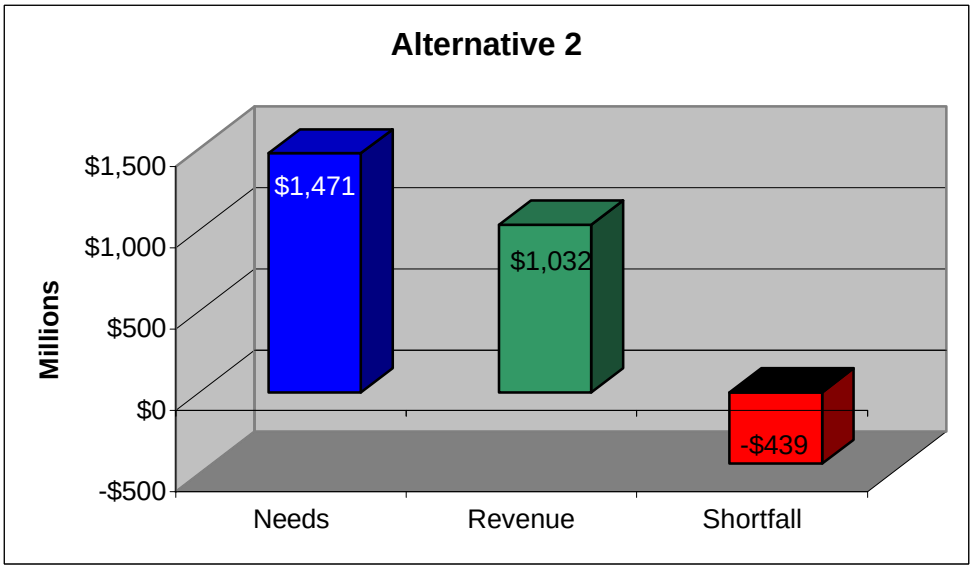


Alternative 2 – System Preservation Plus Partial Funding of Other Needs

Alternative 2 consists of full funding of the Priority 1, 2, and 3 system preservation needs included in Alternative 1. Additional needs included in Alternative 2 are full funding of Priority 4, Safety needs, and partial funding of Priorities 5 and 6 capacity expansion and facility modification. This alternative recognizes that system preservation is critical, but that it is also important to address the safety needs at high accident locations and railroad crossings. In addition, this alternative would provide motorists some relief from congestion through the partial funding of projects such as passing lanes and additional lane construction. See the Priorities for Construction Improvement section that begins on page 5 for more information on the specific types of improvements that would be funded.

PRIORITY	TYPE OF WORK	PERCENT FUNDED	DOLLARS
Priority 1	Routine Maintenance	100 %	108,415,000
Priority 2	Pavement Preservation	100 %	454,842,000
Priority 3	Bridge Preservation	100 %	171,035,000
Priority 4	Safety	100 %	40,584,000
Priority 5	Capacity Expansion	50 %	227,363,000
Priority 6	Facility Modifications	60 %	468,692,400
	Total		1,470,931,400

As shown in the graph below, funding Alternative 2 needs results in a funding shortfall of $439 million.

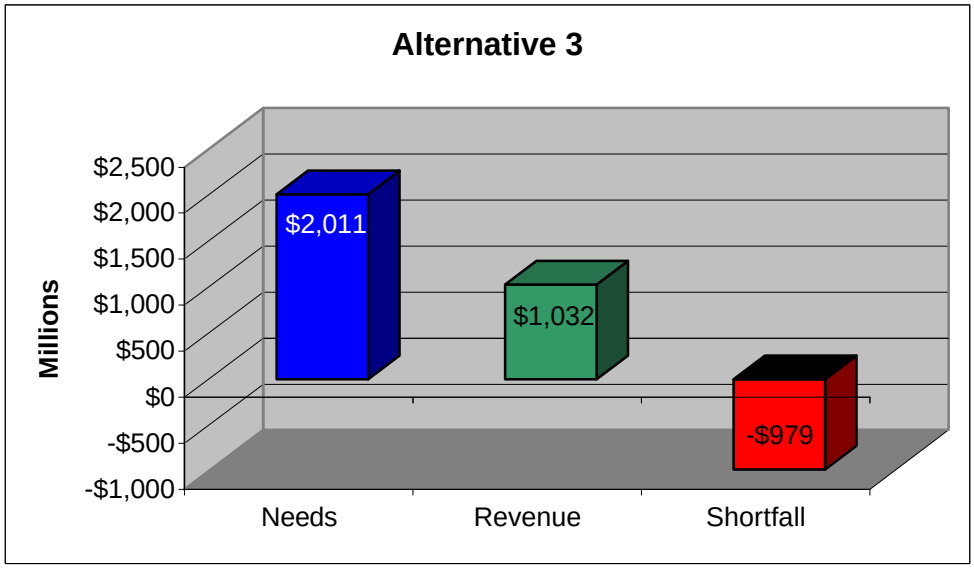


Alternative 3 – Full Funding of All Needs

Alternative 3 fully funds all the needs that have been identified through the year 2002. See the Priorities for Construction Improvement section that begins on page 5 for more information on the specific types of improvements that would be funded.

PRIORITY	TYPE OF WORK	PERCENT FUNDED	DOLLARS
Priority 1	Routine Maintenance	100 %	108,415,000
Priority 2	Pavement Preservation	100 %	454,842,000
Priority 3	Bridge Preservation	100 %	171,035,000
Priority 4	Safety	100 %	40,584,000
Priority 5	Capacity Expansion	100 %	454,726,000
Priority 6	Facility Modifications	100 %	781,154,000
	Total		2,010,756,000

As shown in the graph below, funding Alternative 3 needs results in a funding shortfall of $979 million.



CONCLUSIONS

Alternative 2, which provides for the preservation of the existing system, in addition to some facility upgrades and capacity improvements, is recommended. However, although Alternative 2 only addresses some of the needs on the state system, there is still insufficient revenue to fund it. It is evident that if revenue does not increase, most of the state's revenue could be allocated to maintaining the current system, leaving few excess funds to address upgrade or expansion needs.

It is recommended, therefore, that a revenue increase be pursued to allow the funding of Alternative 2. Without a revenue increase, the state should continue to focus on system preservation (priorities 1,2, and 3) while continuing to fund a portion of the needs in other roadway improvement categories, such as safety and congestion mitigation.